

# consumer news



UNITED STATES OFFICE OF CONSUMER AFFAIRS

Esther Peterson, Director

## Transmission problems

Ford Motor Co. has set up several hotline numbers to discuss problems of automatic transmissions slipping from "Park" into "Reverse" without warning. Here are the numbers Ford has provided—to discuss transmission problems *only*—for people living in the metropolitan areas of the cities indicated below:

Detroit	800-482-0230
San Francisco	800-772-3903
Atlanta	800-282-8533
Kansas City, KS	800-821-5040
Kansas City, MO	800-892-5990
New York	
Metropolitan	800-243-6673
Connecticut	800-922-8422

As CONSUMER NEWS reported on Sept. 1, National Highway Traffic Safety Administration (NHTSA) warned owners of certain 1970 through 1978 Ford passenger cars and trucks to be careful when they park their cars and trucks. NHTSA, which is investigating the problem, said 9 million Ford vehicles equipped with C6 or FMX transmissions are involved.

In addition to Ford's hotline numbers, consumers may call NHTSA's toll-free auto safety hotline: 800-424-9393 (Washington, DC metropolitan area call 426-0123). Or report any problems to Office of Consumer Participation, National Highway Traffic Safety Administration, Washington, DC 20590.

## OCA testifies on credit law

Consumers need a more complete itemized explanation of credit life insurance fees in disclosing finance charges under the Truth-in-Lending Act, the US Office of Consumer Affairs (OCA) stressed in recent testimony before the House Subcommittee on Consumer Affairs.

OCA spokesperson Lee Richardson told the Subcommittee that in spite of present requirements to disclose that credit life insurance is optional, many consumers are told at the point of sale they will be denied credit if they are not insured, and they are not aware that it "is perfectly acceptable to seek credit insurance from someone other than the creditor. Alternative sources of insurance are not discussed because credit insurance is extraordinarily profitable to the creditor."

Richardson said that "any revision of the Truth-in-Lending Act should require that all insurance charges which are financed be included in the finance charges whether the insurance is offered on a voluntary basis or on a mandatory basis."

Noting that the 10-year-old Truth-in-Lending Act is one of the most important pieces of consumer legislation ever passed, and has

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## "Conference call"—more details

The consumer conference on the telephone industry, announced in CONSUMER NEWS Sept. 15, Consumer Telephone Workshop, to be held at the Shoreham Americana Hotel in Washington, DC on Dec. 11-12, will be sponsored by Consumers Union, Consumer Federation of America and the United Church of Christ/Office of Communication, in addition to the US Office of Consumer Affairs (OCA).

Speakers will include Charles E. Ferris, Federal Communications Commission (FCC) Chairman, Joseph R. Fogarty, FCC Commissioner, Henry Geller, Assistant Secretary for Communication and Information, Commerce Dept., and Esther Peterson, Special Assistant to the President for Consumer Affairs and Director of OCA.

There will be no registration cost for the conference, although there will be a \$22 per person fee, payable in advance, for those wishing to attend the Workshop's 2 luncheons. Make checks payable to Health, Education and Welfare Dept. and send to Consumers Telephone Workshop, US Office of Consumer Affairs, 621 Reporters Bldg., Washington, DC 20201; or call 202-755-8877. Space is limited, so even if you do not plan to attend the luncheons, please reserve with OCA as soon as possible.

## Fuel economy performance of 1979 cars

Environmental Protection Agency (EPA) has released the miles per gallon (mpg) figures for 1979 model year cars and trucks, using, for the first time, only a single "estimated mpg" rating for each. This rating is equivalent to the old "city mpg" number—because EPA says its tests show that most people achieve fuel economy ratings closest to this number in their overall driving. Another change this year is separate entries for each type of transmission. (Three, 4 and 5-speed manual transmissions will be listed separately instead of averaging them, as has been done in the past.) EPA says this change will allow the consumer to see what the estimated mpg rating is for each of the major engine options offered.

Copies of the first edition of the 1979 *Gas Mileage Guide* have not yet been printed, so they are not available in new car dealers' showrooms nor through the Consumer Information Center in Pueblo, CO. An upcoming issue of CONSUMER NEWS will report on the *Guide's* availability.

## Federal publication

• *Water Conservation Checklist for the Home*, an Agriculture Dept. publication, answers consumers' questions about saving water while taking a shower, brushing teeth, watering plants, etc. A copy may be obtained for 70¢ by writing to Consumer Information Center, Dept. 105F, Pueblo, CO 81009.

## OCA testifies

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helped to eliminate many unfair and deceptive credit practices, Richardson said the Act has not been perfect and could use some revision. [See CONSUMER NEWS Aug. 15 for background.]

For example, Truth-in-Lending disclosures are still too complex for many consumers because the original Act "did not require plain English explanations for such terms as 'finance charge' or 'security deposit.'" For this reason, Richardson said, "any revision of the Act must require the issuance of model forms and require that all disclosures be made in plain English. It should be very clear to the consumer from the explanation of the finance charge, exactly how much more it is costing to buy on credit than to buy with cash."

In addition, OCA proposed that modification of Truth-in-Lending should include:

- Disclosure of "late charges" imposed for late payments. Currently no penalty exists for failure to disclose late charges.

- Clarification of disclosure requirements for "acceleration clauses," which can force consumers who miss loan payments to pay off loans before they would otherwise be due. In view of the hardship this may place on consumers, creditors should be held liable for the failure to disclose.

- Full disclosure of all charges included in default penalties.

- Plain English explanations of prepayment terms to discourage creditors from using interest and prepayment calculations which are difficult for consumers to understand.

- Greater enforcement and civil liability for false and misleading advertising by lenders.

- Truth-in-Lending disclosures prior to point of sale to "encourage comparison shopping and give consumers a real opportunity to reject undesired credit transactions." Presently consumers need only receive Truth-in-Lending disclosures at the time they sign a credit contract and may be led to believe they must sign immediately or watch their deal dissolve.

- A redefinition of "open-end" credit plans (credit extended for more than one purchase such as revolving charge plans). Truth-in-Lending presently requires more complete disclosures for "closed-end" credit agreements (loans made for a single purpose), the dominant form of credit when the Act was first written 10 years ago. To avoid complete credit disclosures some lenders have created open-end plans for their customers, for example, by including service contracts in major purchases, effectively creating an open-end agreement.

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## Food labeling hearings—an update

It is still not too late to send in comments (or attend public hearings in San Francisco and Boston later this month) on a nationwide government campaign to find out what consumers want to see on their food labels. The agencies involved in the campaign—**Food and Drug Administration (FDA)**, **Agriculture Dept.**, and **Federal Trade Commission (FTC)** regulate food labeling and advertising. [See CONSUMER NEWS Aug. 1 for background.]

At CONSUMER NEWS presstime, only 2 of 5 public hearings have been held—in Wichita, KS and Little Rock, AR. In Wichita, where more than 300 people attended the hearing and 92 presented their views, more than two-thirds of the participants were consumers with no group affiliation, while the remaining participants were mostly from professional and public interest organizations. The testimony at the Wichita hearing (along with the more than 2,000 written comments FDA has received so far) present this picture of consumer concerns about food labeling:

- **Mandatory ingredient labeling** (including names of food and color additives) for more or all foods is the major demand being made by consumers. At present, FDA can only require ingredient labeling on non-standardized foods (foods that are not required by FDA to contain certain ingredients that give the food its identity). Consumers also want additional ingredient information, such as listing ingredients by the percentage of their content in food, especially for sugar. In addition, consumers want the source of a fat or oil to be identified, such as cottonseed oil or lard.

- The comments reflect strong consumer support for mandatory open date labeling, which is presently not regulated at the Federal level. Consumers expressed a preference for a "use by" date but have said they would also accept a "date of pack."

- **Drained weight labeling** (the declaration of the solid food in the can, as contrasted with the net weight, which includes the packing liquid) is another priority. Consumer comments reflect a strong desire for drained weight labeling to be mandatory for all canned fruits and vegetables. At present, FDA does not require this kind of labeling, but it has proposed requiring either a declaration of drained weight after processing or solid contents (fill weight) before processing. [See CONSUMER REGISTER Sept. 15 for details on how to comment on the drained weight proposal.]

- Concerning nutrition labeling, there is great interest in declaring quantities of sugar, salt, and cholesterol, in addition to the information that must now appear whenever nutrient data appear on food labels: serving size, servings per container, calories, grams of protein, carbohydrates and fats, and the percentage of US Recommended Daily Allowance for vitamins and minerals. Most of the comments indicate a strong desire for nutrition labeling on processed foods but little need for it on fresh foods.

- Consumers expressed concern that they know the country of origin for imported meat products and called for this information to be on the label.

- There have been some comments on "imitation" foods with consumers slightly favoring the use of the word "imitation" over giving the product a different name than the food it imitates. Present regulations require a food that resembles another food be called "imitation" if it is nutritionally inferior to the food it resembles. If the substitute is nutritionally equivalent or superior to an existing product, the manufacturer may give it a different name rather than call it "imitation." An example is margarine, not "imitation butter."

- A few comments indicate that foods should be fortified with added vitamins and minerals, but the public seems vague on this issue. FDA has no general regulation on food fortification although it does prescribe the extent to which certain foods—such as enriched bread—must be fortified.

- Concerning the food label itself, consumers want the information to be simple, readable, and placed in a standardized location on the food label.

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## Food labeling (Continued from page 2)

In Little Rock, of the 200 persons who attended the hearing the first day and of the 150 who attended the second day, 56 testified, including 2 or 3 industry representatives. An FDA spokesperson said there was probably more grass roots activity at the Little Rock hearing than at Wichita and that the participants reflected a slightly different attitude—although most of the oral comments paralleled the written comments and those received at Wichita. According to one commenter, Arkansas ranks first or second in the US (on a per capita basis) in poverty and the numbers of elderly and handicapped persons. Perhaps that is the reason the Little Rock participants were more concerned about the cost of food labels, many of whom said they were unwilling to pay for any extra labeling costs. Another significant proposal in Little Rock was braille labeling. Finally, many of the participants were against using the word "imitation" on any product. Instead, they wanted a completely new name for those products. For them, a term such as "imitation cheese" just wouldn't be acceptable.

As CONSUMER NEWS has noted before, Nov. 10 is deadline for comments on the food labeling issues. Comments should be sent to Hearing Clerk, HFC-18, Food and Drug Administration, 5600 Fishers Lane, Rockville, MD 20857. For information write or call Taylor Quinn, Food and Drug Administration, 200 C St., SW, Washington, DC 20204; telephone 202-245-1243. The remaining 2 hearings will begin at 9:30 a.m. in the Freemont Bldg., San Francisco, CA (Oct. 12-13) and at Howard Johnson's 57 Motel in Boston, MA (Oct. 25-26).

## Car complaints

According to Esther Peterson, Special Assistant to the President for Consumer Affairs and Director of the US Office of Consumer Affairs (OCA), one of the basic causes of the high rate of consumer complaints about automobile repair sales and service is the lack of uniform standards for such things as (1) cost information disclosure—telling consumers how much repairs will cost, for example; (2) technical competence of mechanics; (3) assurance that the repair facility will stand behind the parts and service for which the customer has paid; and (4) assurance that there are readily available means for the resolution of disputes.

In a Sept. 27 speech before the American Automobile Association (AAA), Mrs. Peterson challenged the automobile industry to develop new or improve upon existing consumer oriented programs for auto sales and service. She praised AAA for its approved Auto Repair Services Program, viewing it as a "positive consumer-oriented response to the ever-increasing spiral of complaints about auto service." In contrast, the OCA Director criticized General Motors' "Mr. Goodwrench" program, suggesting that "the true intent of the program is to market GM parts and service." Although she does not find this goal objectionable, she said the advertising for "Mr. Goodwrench" is couched in terms that suggest there is real consumer-oriented substance to the program."

Finally, Mrs. Peterson pointed out that the automotive industry must begin to show the buying public that concern for consumer needs does not end at the point of sale but continues throughout the expected life of the car.

*Consumer Problems with Auto Repair*, a new booklet from Transportation Dept., lists car repair tips, repair laws and services available in some areas. For a free copy, send a postcard to the Consumer Information Center, Dept. 704F, Pueblo, CO 81009.

Oct. 1, 1978

## Banks and banking: a status report

The consumer banking industry is undergoing great changes. Proposals for negotiable orders of withdrawal (NOW) accounts, liberalization of interest rate ceilings, broadening of the types of loans offered by savings and loan associations (S&Ls) and other changes may make S&Ls, commercial banks, and credit unions more competitive and affect the way you handle your finances.

For instance, you may now be able to, in effect, earn interest on your checking account. The Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation (FDIC) recently enacted a rule to enable commercial banks to automatically transfer funds from savings accounts to checking accounts. S&Ls have contested the move, arguing that the regulation constitutes the payment of interest on checking accounts, a practice which is currently prohibited. Unless S&Ls are able to halt the rule, automatic transfers from savings to checking accounts will be available on Nov. 1. You may also be able to get more interest on your savings account in the future.

The current FRS regulation enabling S&Ls to pay a quarter percent more than commercial banks on savings accounts expires in December. Both this interest rate differential and the ceiling imposed on interest rates are being reevaluated by Congress. An easing of these regulations would increase competition among financial institutions, making it advantageous for the consumer to "shop around" before committing funds to a particular bank, S&L, or credit union.

You may find short-term loans and variable rate mortgages (VRMs) available from S&Ls as the result of regulatory changes proposed by the Federal Home Loan Bank Board (FHLBB). S&Ls are currently prevented from offering these types of loans. VRMs would allow S&Ls to move the interest rate on a mortgage up or down according to some agreed-upon index. S&Ls say that they will be able to offer mortgages to more people if they can offer VRMs. Consumer groups fear that it will be hard for consumers to determine with any certainty how much a VRM will cost them.

OCA and interested consumer groups will be watching the progress of these changes in the financial industry because of their potential to make financial institutions more competitive and, therefore, more responsive to consumer concerns.



## Recalls

■ **BICYCLES**—Consumer Product Safety Commission (CPSC) has announced the recall of 33,500 J.C. Penney brand bicycles which may have defective pedal cranks that could break, thus injuring the rider. Involved are 24, 26, and 27-inch derailleur-type 10-speed bicycles, painted light tan or dark grey. They were made in 1977 and 1978 and were marketed nationwide in Penney retail and catalogue stores. The following numbers appear on the outside of the left rear middle axle plate where the wheel is attached: 2131A2, 2141A2, 2181A1, or 2180A1. The light tan bicycles have catalogue numbers 927-3525, 927-3533, 927-7070, 927-7088, 927-7096, 927-7104, or 927-7112. The dark grey bicycles have number 927-7120. **WHAT TO DO:** Contact a J.C. Penney store for a free inspection and replacement of the defective pedal crank if necessary. For verification of model and catalogue numbers call CPSC's toll-free hotline 800-638-2666. In Maryland only call 800-492-2937.

## Warning!

National Highway Traffic Safety Administration (NHTSA) has cautioned owners of "hatchback" vehicles to avoid driving with children riding in the automobile's luggage compartment, and to keep the hatchback closed whenever the engine is running. NHTSA says that an increasing number of reports of motorists driving with the hatchback in the "up" position have been received, and that the practice creates a risk of serious injury to passengers in the rear compartments of the vehicles.

## OCA intervenes in electric utility rate case

The US Office of Consumer Affairs (OCA) has urged the Federal Energy Regulatory Commission (FERC) not to adopt a policy in a landmark case before it by which consumers would pay in advance for the construction of electric generating facilities. OCA said that such a policy would contribute to inflation and shift investment risk from investor to consumers. [See CONSUMER NEWS Aug. 1.]

OCA's points were made in written testimony to FERC on a current case in which FERC is considering a petition by the **Public Service Company of New Hampshire** (PSNH) to include costs of construction work in progress (CWIP) in its rate base, and in which OCA has intervened under its mandate to represent consumers in Federal policymaking. OCA is urging FERC "not to establish precedents the end results of which might exacerbate the already distressing inflationary spiral consumers are caught in."

PSNH has petitioned for the inclusion of CWIP in its rate base on the grounds that the company was experiencing severe financial hardship. FERC currently permits the inclusion of CWIP as a remedy for financial problems only "in the most extraordinary of circumstances." OCA is concerned that, if FERC rules in favor of the company's petition, such a decision would be viewed as a change in FERC policy and therefore inclusion of CWIP could become a common regulatory practice in all 50 states.

OCA said that knowing such extraordinary relief is available may make utilities less prudent in their management decisions, resulting in, among other things, overbuilding. OCA said overbuilding could have an inflationary impact on electric rates by raising prices without producing benefits in return.

## Drug interactions

• A free copy of *Food and Drug Interactions* is available from Consumer Information Center, Dept. 698F, Pueblo, CO 81009. The pamphlet tells you how you should (and should not) take many kinds of medicine and urges patients to ask their doctors how drugs might interact with their favorite foods and drinks.

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